

Independent Auditor's Report

To the Board of Trustees of Rural Security Fire Company:

We have audited the accompanying financial statements of Rural Security Fire Company (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – income tax basis, as of December 31, 2021, and 2020, the related statements of revenues and functional expenses – income tax basis, the statements of cash flows – income tax basis and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the income tax basis of accounting, this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Rural Security Fire Company as of December 31, 2021 and 2020 and its revenues, expenses, and other changes in net assets for the year then ended in accordance with the basis of accounting Rural Security Fire Company used for income tax

purposes described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the income tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Michael R. Green, CPA
Michael R Green & Associates
Lebanon, PA
May 11, 2022

Rural Security Fire Company
Statement of Assets, Liabilities and Net Assets
Income Tax Basis
December 31, 2021 and 2020

| <u>Assets</u> | <u>2021</u> | <u>2020</u> |
|-------------------------------|-------------|-------------|
| Cash and Cash Equivalents | 189,538 | 142,177 |
| Total current assets | 189,538 | 142,177 |
| Equipment and Property | 706,288 | 294,292 |
| Less Accumulated Depreciation | (131,387) | (64,112) |
| Total long term assets | 574,901 | 230,180 |
| Total assets | 764,439 | 372,357 |

Liabilities and Net Assets

Liabilities

| | | |
|----------------------------------|---------|---------|
| Note Payable - Current | 31,317 | - |
| Total current liabilities | 31,317 | - |
| Note Payable - Long-Term | 365,380 | - |
| Total long term liabilities | 365,380 | - |
| Total liabilities | 396,697 | - |
| Unrestricted Net Assets | 367,742 | 372,357 |
| Total Net Assets | 367,742 | 372,357 |
| Total liabilities and net assets | 764,439 | 372,357 |

Rural Security Fire Company
Statement of Activities and Functional Expenses
Income Tax Basis
December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---------|---------|
| Revenues and Support | | |
| Contributions | 1,175 | 851 |
| Fund Drive | 11,166 | 10,122 |
| Grants | 113,932 | 198,505 |
| Program Service Revenues | 605 | - |
| Membership Dues | 15 | 30 |
| Interest Income | 93 | 66 |
| Fundraising Revenue | 8,948 | 21,461 |
| Hall Rentals | - | 1,340 |
| Raffle Revenue | 11,163 | |
| Net Revenues and Support | 147,097 | 232,375 |
| Expenses for Programs | | |
| Advertising | - | - |
| Supplies | - | 249 |
| Utilities | 5,472 | 5,764 |
| Equipment, Repairs, and Maintenance | 27,820 | 45,181 |
| Insurance | 4,724 | 4,505 |
| Interest Expense | 20,244 | - |
| Education, Training, and Subscriptions | - | 150 |
| Cable, Internet, and Telephone | 1,831 | 1,811 |
| Public Relations and meetings | - | - |
| Depreciation | 67,275 | 16,420 |
| Building and Ground Maintenance | 8,167 | 5,720 |
| Miscellaneous & License | | |
| Total Expense for Programs | 135,533 | 79,800 |
| Excess Revenues and Support over Expenses for Programs | 11,564 | 152,575 |

| | 2021 | 2020 |
|---|---------|---------|
| Expenses for General Administration | | |
| Accounting and Legal | 510 | 851 |
| Office Expense | 501 | 314 |
| Admin | 87 | 1 |
| Bank Fees | 50 | - |
| Total Expenses for General Administration | 1,148 | 1,166 |
| Expenses for Fundraising | | |
| Grant Writing | - | 1,375 |
| Fundraising Expenses | 7,591 | 8,663 |
| Raffle Expenses | 7,440 | - |
| Total Expenses for Fundraising | 15,031 | 10,038 |
| Total General Administration and Fundraising Expenses | 16,179 | 11,204 |
| Change in Net Assets | (4,615) | 141,371 |
| Net Assets, Beginning of Year | 372,357 | 230,986 |
| Net Assets, End of Year | 367,742 | 372,357 |

Rural Security Fire Company
Statement of Cash Flows
Income Tax Basis
December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|-------------------|
| Change in Net Assets | (4,615.00) | 141,371.00 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Interest included in Net Income | (93.00) | (66.00) |
| Depreciation and amortization | <u>67,275.00</u> | <u>16,420.00</u> |
| Net cash provided by operating activities | 62,567.00 | 157,725.00 |
| Cash flows from investing activities: | | |
| Acquisition of equipment | (428,746.00) | (133,000.00) |
| Sale of equipment | 16,750.00 | - |
| Investment Income | <u>93.00</u> | <u>66.00</u> |
| Net cash (used) in investing activities | (411,903.00) | (132,934.00) |
| Cash Flows from financing activities | | |
| Borrowings on Truck Loan | 621,746.00 | - |
| Payments on Truck Loan | <u>(225,049.00)</u> | <u>-</u> |
| Net cash provided by financing activities | 396,697.00 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | 47,361.00 | 24,791.00 |
| Cash and cash equivalents at beginning of year | <u>142,177.00</u> | <u>117,386.00</u> |
| Cash and cash equivalents at end of year | <u>189,538.00</u> | <u>142,177.00</u> |
| Interest Paid During Year | <u>20,244.00</u> | <u>-</u> |

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

General

Rural Security Fire Company is a nonprofit Organization, who has received and maintains exemption under Section 501(C) (3) of the Internal Revenue Code.

The purpose of the Organization is to Provide volunteer fire protection for the residents of North Lebanon Township and vicinity, to purchase and maintain fire apparatus and equipment to save life and property.

Accounting Policy

The accompanying financial statements have been prepared on the Income Tax Basis, which is used for both the financial statement and nonprofit reporting. The amounts shown on the financial statements conform or will conform to those appearing on the Rural Security Fire Company Form 990 tax return.

Depreciation

Properties are carried at cost less accumulated depreciation. It is the policy of the Organization to charge all additions to the asset account and charge cost of repairs and maintenance to operations in the year incurred. The asset and accumulated depreciation accounts are relieved when properties are disposed of. The depreciation and accumulated depreciation accounts reflect the depreciation used for income tax reporting. The Organization uses straight line depreciation and uses the following useful lives:

| | |
|-------------------------|----------|
| Buildings | 39 years |
| Property Improvements | 15 years |
| Fire Fighting Equipment | 5 years |
| Other Equipment | 7 years |

2. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. NET ASSETS

The financial statements report amounts by class of net assets. All unrestricted net assets are available at the discretion of the board for use in the Organization's programs.

4. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consist of cash held in (1) one checking account and (1) one savings account held at a local FDIC-insured bank, First Citizens Community Bank (FCCB). The Organization deposits all cash received and does not keep material amounts of cash on hand.

| | <u>12/31/2021</u> | <u>12/31/2020</u> |
|------------------|-------------------|-------------------|
| Cash in Checking | \$ 152,776 | \$ 142,177 |
| Savings | \$ <u>36,762</u> | \$ <u>0</u> |
| Total | \$ <u>189,538</u> | \$ <u>142,177</u> |

5. VOLUNTEER HOURS

Various Individuals volunteer hours for the Rural Security Fire Company. The cost of the volunteer hours is not reflected in these statements as they do not meet the criteria for contributed services and would not be recognized under the Income Tax Basis of Accounting.

6. REAL ESTATE

The Property at 1301 N 7th Street is owned by the Organization. The fair market value of the real estate is not reflected in these statements.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2022, the date the financial statements were available to be issued.

8. CONTINGENCIES

The Organization is exposed to various risks by the nature of the Organization's activities. The Management has determined that coverage levels under various insurance policies are sufficient to cover any significant uninsured losses.

9. INCOME TAXES

The Organization is a nonprofit corporation whose revenue is derived from fees, grants, contributions, and other fundraising activities, and is not subject to federal or state income taxes. The Organization is exempt from federal income taxes under section 501(c) (3) of the Internal Revenue Code and is not considered a private foundation. Accordingly, no income tax liability is incurred unless the Organization receives income considered to be unrelated business income.

The accounting standard on accounting for uncertainty in income taxes addresses the determination whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position, if any, are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There

were no unrecognized tax benefits identified or recorded as liabilities for years ended December 31, 2021 and December 31, 2020.

The Organization filed a federal Form 990 – Return of Organization Exempt From Income Tax for all relevant periods. The Organization is generally no longer subject to examination by the IRS for years before 2018.

10. FAIR VALUE MEASUREMENT

The Organization has valued all assets at cost. All funds are deposited with a FDIC-insured financial institution and the Organization believes that the assets should be reported at cost.